

Message Text

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TAGS: OCON, OTRA, ECE

SUBJECT: ECE STEEL COMMITTEE AD HOC MEETING OF EXPERTS
ON SCRAP PROBLEMS

FOR DAN GILL - US REPRESENTATIVE

FOLLOWING COMMENTS ON DRAFT SCRAP STUDY RECEIVED FROM
AISI. PLEASE PROVIDE SECRETARIAT WITH AISI PROJECTED
GROWTH RATES AND OTHER MATERIAL AS APPROPRIATE:
"WE FIND IT DIFFICULT TO COMPREHEND FROM THE MATERIAL ON
PAGES 4 AND 5 OF THE ECE SCRAP STUDY EXACTLY HOW THE
PROJECTIONS OF RAW STEEL PRODUCTION FOR THE UNITED STATES
AND NORTH AMERICA WERE MADE. IT APPEARS TO BE LARGELY
STATISTICAL MANIPULATION USING PAST RAW STEEL PRODUCTION
DATA, REFLECTING PAST RELATIONSHIPS, WHICH MAY NOT
PREVAIL IN THE FUTURE.

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PAGE 02 STATE 068108

STEEL PRODUCTION IN ANY PERIOD IN ANY COUNTRY OR AREA
(DEMAND), (2) STEEL PRODUCING CAPABILITY (SUPPLY), AND
(3) STEEL IMPORTS AND EXPORTS (BASED ON ECONOMIC FACTORS,
SUCH AS COST RELATIONSHIPS, AND GOVERNMENT POLICIES, IN
BOTH IMPORTING AND EXPORTING COUNTRIES.) ANY PRODUCTION

FORECASTS WHICH SHORT CUT THESE THREE FACTORS ARE LIKELY TO BE UNREALISTIC. IF ANY OF THESE THREE FACTORS CANNOT REASONABLY BE FORECAST, THEN, RAW STEEL PRODUCTION CAN'T BE MEANINGFULLY FORECAST. SOME OF THE MOST COMPETENT ANALYSTS IN THE UNITED STATES AND ELSEWHERE REGARD THIS AS A BASIC REASON FOR QUESTIONING ANY STEEL PRODUCTION FORECAST WHICH GOES VERY FAR INTO THE FUTURE.

BEYOND THIS VERY FUNDAMENTAL MATTER, WE SHOULD POINT OUT THAT WITH RESPECT TO THE TABLE AT THE TOP OF PAGE 4, THE USE OF A 1971-74 BASE PERIOD WITH A 6.6 PERCENT GROWTH RATE CALCULATED FROM A CYCLICAL LOW POINT IN THE FIRST YEAR (1971) TO A RELATIVELY HIGH POINT IN THE LAST YEAR (1974) IS MOST UNREALISTIC, EVEN WITH THE ADJUSTMENT FACTORS USED FOR LATER PERIODS. THE TREND LINE GROWTH RATE FOR A LONGER PERIOD PRIOR TO 1975 IS BETWEEN 2 AND 2 1/2 PERCENT, DEPENDING ON THE PERIOD SELECTED.

THE TABLE ON PAGE 5 INCLUDES BOTH THE UNITED STATES AND CANADA, WHICH MAKES IT DIFFICULT TO ANALYZE FROM A UNITED STATES POINT OF VIEW ALONE. THE CONSERVATION PRODUCTION FIGURE OF 174 MILLION METRIC TONS IN 1980 APPEARS WITHIN THE REALM OF POSSIBILITY, BASED ON DEMAND PROJECTIONS, CAPACITY EXPANSION PLANS, AND POSSIBLE TRADE FLOWS, IN BOTH THE UNITED STATES AND CANADA.

THE 3.0 PERCENT AND 2.3 PERCENT GROWTH RATES FOR 1980-85
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PAGE 03 STATE 068108

AND 1985-90, RESPECTIVELY, SEEM REASONABLE FOR STEEL CONSUMPTION. THERE IS CONSIDERABLE DOUBT, HOWEVER, THAT THEY WILL BE TRANSLATED INTO SIMILAR PRODUCTION GROWTH RATES THROUGH ADEQUATE CAPACITY ADDITIONS IN NORTH AMERICA AND ELSEWHERE IN THE WORLD, AND BY THE IMPLIED COMPENSATING TRADE FLOWS. SIGNED: J.F. COLLINS."
CHRISTOPHER

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